

**Amend Section 6405 of the Revenue and Taxation Code to increase the use tax exemption for the amount of tangible personal property purchased in a foreign country and personally hand carried into this state from \$400 to \$800 to conform to changes in the federal duty-free exemption.**

**Source: Sales and Use Tax Department**

### **Existing Law**

Under existing law, use tax is imposed on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer. The obligation to pay the use tax is on the consumer. As a result of the 1984 Tax Penalty Amnesty Bill (Ch. 1490, Stats. 1984), the Board created the U. S. Customs Program for the purpose of collecting unpaid use tax from consumers. The Board is granted authorization from the U. S. Customs Service to access passenger declarations filed at various ports of entry throughout California. This information is used to generate use tax returns.

Section 6405 of the Revenue and Taxation Code, as added by Senate Bill 2455 (Ch. 1533, Stats. 1990), provides that the storage, use, or other consumption of the first \$400 of tangible personal property purchased in a foreign country by an individual from a retailer and hand carried into this state from the foreign country is exempt from the use tax. This exemption is provided to conform to the U.S. traveler's standard duty-free exemption. However, as of November 4, 2002, the U.S. traveler's standard duty-free exemption was increased from \$400 to \$800.

### **This Proposal**

This proposal would increase the use tax exemption provided in Section 6405 from \$400 to \$800 to conform to the U.S. traveler's standard duty-free exemption amount.

*Section 6405 of the Revenue and Taxation Code is amended to read:*

6405. Property purchased in a foreign country. Notwithstanding Section 6246, the storage, use, or other consumption in this state of the first ~~four~~ eight hundred dollars ~~(\$400)~~ (\$800) of tangible personal property purchased in a foreign country by an individual from a retailer and personally hand carried into this state from the foreign country within any 30-day period is exempt from the use tax. This section shall not apply to property sent or shipped to this state.